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C O N F I D E N T I A L SECTION 01 OF 02 TUNIS 002538

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NEA/MAG FOR MAYA HARRIS, EB/CIP  
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CASABLANCA FOR (FCS ORTIZ)  
LONDON, PARIS FOR NEA WATCHER

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TAGS: ECON EFIN ELAB ETRD TC UK MO TS

SUBJECT: TUNISIA OUTRANKS U.S. IN COMPETITIVENESS, SAYS  
DAVOS REPORT

Classified By: CDA David Ballard for reasons 1.4 (b) and (d)

¶1. (SBU) The Government of Tunisia is gloating over its ranking in the 2006 Global Competitiveness Report released by the World Economic Forum (WEF) on September 26th. Classified as the 30th most competitive country in the world and first among African and Middle East countries, Tunisia advanced seven ranks above last year's rating. All major Tunisian newspapers have been touting this achievement, as well as the fact that Tunisia scored higher than the U.S. in the areas of institutions, macroeconomy, and health and primary education.

These results are reportedly due to the WEF move this year to a more comprehensive index (Global Competitiveness Index).

¶2. (U) The new methodology considers a number of factors which were not accounted for in previous versions of this annual report. Different weights are given to each factor based on the stage of economic development of each country. The stage of economic development was based on GDP per capita. Tunisia falls into the factor-driven stage, which places more weight on areas such as institutions, macroeconomy, and primary education (50 percent) than does the innovation-driven stage (30 percent) where the U.S. is placed.

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Government Reaction  
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¶3. (SBU) An official at the Ministry of Development and International Cooperation told EconOff that the report is positive and speaks well for Tunisia. He characterized the report as objective and credible, due to the fact that the source is well-known and respected. The official added that the World Bank has also recently issued a positive report on the Tunisian economy and that both reports support the premise that investors can rely on good public governance from the GOT. From the GOT's perspective Tunisia's positive ranking is another argument to promote Tunisia as an attractive destination for investors.

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Local Tunisian Reaction  
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¶4. (C) Among the reactions of several Tunisian and expat businessmen with whom the EconOff spoke about the report were, "It is too positive," and "I'm not feeling it." They criticized the report as being subjective and oriented toward foreign businessmen. They wondered how China, France, the U.S. or other more developed countries could be ranked below Tunisia. While many felt that perhaps the report could be used as a vehicle to attract investment, several Tunisian businessmen stated that, "Tunisian people all know what's going on and where we really are. Tunisia has lots of problems and for the people who live here, the report adds nothing to their purchasing power. So if we are doing so well, why is this not reflected in our standard of living?" Among the problems to be solved, several interlocutors complained about the GOT's reluctance and slowness in making the necessary reforms to improve the business climate in Tunisia. A number of the interlocutors stated that the Institut Arabe Des Chefs d'Entreprises (IACE) conducted the survey of Tunisian business executives that was used as a basis for this WEF report. This organization is said to be linked with the extended family of President Ben Ali and thus, in the average Tunisian business leader's mind, the results are suspect.

¶5. (C) Comment: We were surprised that Tunisia fared as well as it did in the WEF's rankings. Since the entity that conducted the survey locally is linked with the President's family, this could explain the high marks Tunisia received, especially in areas known to be problematic, such as "favoritism in the decisions of the governmental civil servants." The WEF report is unique in that the methodology used, combines publicly available data with survey data that captures the perceptions and observations of business leaders

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in a given country. It could very well be that the critics are right and that IACE only surveyed and provided input from business leaders who would provide politically-correct, positive impressions. End Comment.

BALLARD